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JOINT STATE/ICA MESSAGE

1) In view past statements we somewhat surprised GOL now wish $5.5 million U.S. aid budget support. Our offers budget support always predicated assumption total UK aid 2.25 million pounds budget support and had assumed should budget support be necessary it would be for mutually agreed uses and not repeat not left sole discretion GOL. Hope clearly understood availability $5.5 million for possible budget support applies only FY 1958 and consequently should not repeat not be considered precedent for future years.

2) ICA experience other countries in making dollar grants generation LC budget support as recommended para 5 reftel most unfortunate. Do not repeat not wish repeat experience. If use U.S. FY 1958 aid for budget support required our preference regarding source and method handling in order priority as follows: (a) limit amount to LC equivalent $3 million commodity import program using exchange notes for agreement on purposes for which to be used (i.e. specific items within GOL budget) beneficial to Libya as provided para III b Bilateral Agreement; (b) if GOL insists on additional $2.5 million, increase commodity program by like amount following same procedure as (a) above, or use $2.5 million special funds with no strings attached, utilizing whatever

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whatever part $2.5 million DS funds required finance acceptable projects that would otherwise have been financed special funds and using remainder other LARC projects. Use $2.5 million DS funds subject usual ICA approval and procedures.

3) Re LPDSA hold position set forth ICATO 532.

4) Re para 7 reftel, you authorized advise GOL reserve of 10% legally necessary but anticipate U.S. requirements will be minimal. Reserve should be held in counterpart special account pending final determination U.S. requirements.

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(BP) = DULLES

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